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May 3, 2004

VIA FACSIMILE 202-493-2251

Docket Management Facility

USCG-2003-14472 - 27

MARAD 2003-15171 - 28

Department of Transportation - Room PL-401

400 Seventh Street SW

Washington, DC 20590-0001

**Re: Joint Notice of Proposed Rulemaking
Lease Financing for Vessels Engaged in the Coastwise Trade**

Ladies and Gentlemen:

Keystone Shipping Co. and its affiliates ("Keystone") appreciates the opportunity to comment on the Joint Notice of Proposed Rulemaking regarding Lease Financing for Vessels Engaged in the Coastwise Trade ("NPRM"). Keystone believes that the Jones Act is vital to our national defense, homeland security, and economic prosperity. We thank the United States Coast Guard ("USCG") and the United States Maritime Administration ("MARAD") for their many contributions to protecting our nation's maritime interests.

SUMMARY

Keystone's fleet of vessels (see summary attached) reflects its position as one of the largest shipping companies engaged in the United States coastwise trade. Keystone continues to strongly support the preservation of the Jones Act including the existing right of foreign leasing companies, which are not predominantly maritime companies, to own and charter, but not operate, coastwise vessels.

Due to the potentially disastrous effects of the NPRM, Keystone feels it must publicly comment on the proposals. Any restrictions on chartering back, proprietary vs. non-proprietary cargo, or grandfathering of existing or approved transactions would significantly affect, if not eliminate, one of the few remaining avenues in today's market for financing large marine assets including environmentally sound, double hull vessels. The NPRM and the adoption of its proposals would close the door on this type of financing for the remaining Jones Act fleet of vessels.

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Accordingly, Keystone urges the USCG and MARAD not to impose changes or restrictions of the type suggested by the NPRM.

BACKGROUND

For more than eighty years, Keystone has engaged successfully in U.S. coastwise and foreign shipping. During this period, Keystone has employed thousands of seamen, charterers, brokers, and administrative and management personnel. It has added billions of dollars to the economy of the United States and millions of man-days of labor to the merchant marine. Keystone's success is due in part to our long-standing relationship with major international companies, such as Shell Oil, British Petroleum ("BP") and other multinational companies.

As far back as the late 1930's, Charles Kurz built national defense tankers in U.S. shipyards based on long-term charters from Shell Oil. These tankers were made available to the U.S. government immediately in time of need during World War II and other conflicts. More recently, despite time and voyage charters to foreign owned entities, our vessels supported the military and logistics efforts in Vietnam, the Gulf War and in other times of crisis.

These accomplishments and crisis assistance would not have been achieved without the long-term leasing commitments of foreign and multinational entities which enable the construction, acquisition and/or successful operation of our vessels. Charters to foreign-owned entities have not affected the availability of our U.S. coastwise fleet in times of crisis.

ANALYSIS

During its long history, Keystone has used every available means of financing the construction or acquisition of vessels including long term bank loans, leasing companies, insurance companies, Operating Differential Subsidies, Construction Differential Subsidies, and Title XI financing, but these sources have virtually disappeared. Virtually all U.S. long-term financial sources decline to finance or own tankers for fear of the liabilities imposed under Oil Pollution Act of 1990. At least one-half of the environmentally sound, double hull, coastwise tankers being built today are the direct result of the foreign leasing law and the existing ability of foreign leasing companies to own coastwise vessels. The withdrawal or the further restriction of one of the last avenues of financing in our U.S. yards will affect not only tanker construction but also construction of vessels and operations in the Great Lakes, the Gulf of Mexico, and the U.S. West and East Coasts. There is no doubt from any perspective that the loss of one of the last avenues for financing will have an effect upon the entire maritime industry on labor employment, construction, ownership, national security, and military support.

Likewise, the proposed distinction between proprietary and non-proprietary cargo in the NPRM would negatively impact the availability of financing. The economics of a transaction,

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which are generally twenty-five years in length, require a certain amount of flexibility in cargo substitution. If the flexibility is taken away by regulation, the vessel could be laid up with the attendant economic losses, potential impairment of the financing, decreased taxes and man-days of employment.

Finally, Keystone is concerned about the impact of the NPRM on existing and potential contractual relationships. Keystone is involved in several existing and proposed foreign leasing company transactions as the U.S. citizen demise charterer. To upset these transaction mid-stream or at the three year mark would have a disastrous affect. We see no reason to limit the grandfathering of existing or approved transactions to three years. Keystone and our customers have and are investing significant funds, time, and effort to these transactions which will amount to an infusion of hundreds of millions of U.S. dollars.

For example, Keystone supports the preservation of BP's current and prospective ownership of Jones Act qualified vessels being built at NASSCO provided that they continue to be operated by Alaska Tanker Company, LLC. Keystone also specifically supports the continuation of IC Leasing Corporation's approved leasing arrangement for the operation of eight Great Lakes by Key Lakes, Inc. Preservation of one of the few remaining financing vehicles could not only benefit tanker construction in the U.S. yards but also revitalize construction of bulk vessels in the Great Lakes region. Furthermore, as U.S. shipyards are acquired by foreign-owned international companies, U.S. operators such as Keystone could benefit from lease financing arrangements with these yards.

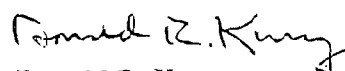
CONCLUSION

If the NPRM is adopted and the expected decline in large marine assets occurs, not only will successful shipping companies such as Keystone and it's business interests with multinational companies be adversely affected but also our national security. A U.S. flag fleet consisting solely of tugs, barges, and other smaller vessels does not adequately support a national emergency, crisis, or military effort.

Keystone views the proposed further restrictions in the NPRM as a threat to our existence. Jones Act owners and operators need expanded sources of capital; not more barriers.

We are prepared to meet with you to further discuss this matter.

Respectfully submitted,


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<u>Vessels</u>		<u>Flag</u>	<u>Built</u>	<u>DWT</u>	<u>Draft</u>	<u>TPI</u>	<u>Length</u>	<u>Beam</u>	<u>Trade</u>
Adm. Wm. M. Callaghan	GT	US	1967	24,084	29' 00 7/8"	—	694' 04 3/8"	92' 02 1/4"	Marad/RO-RO
Atlanta Bay/Virginia Bay	DI	US	1982	23,000	31' 07 9/16"	85.6	451' 00"	84' 00"	Chemicals
Cape Kennedy	DI	US	1967	28,763	35' 02"	--	695' 10 3/8"	105' 08"	Marad/RO-RO
Cape Knox	DI	US	1967	28,763	35' 02"	--	695' 10 3/8"	105' 09 1/4"	Marad/RO-RO
Cape Orlando	DI	US	1981	20,641	30' 03"	--	665' 03 1/4"	91' 10 2/5"	Marad/RO-RO
Cape Race	DI	US	1977	22,470	32' 10 25/32"	--	648' 1/4"	105' 08 11/16"	Marad/RO-RO
Cape Ray	DI	US	1977	22,831	32' 10 25/32"	--	647' 11 21/32"	105' 07 11/16"	Marad/RO-RO
Cape Rise	DI	US	1977	22,470	32' 10 25/32"	--	647' 11 21/32"	105' 07 11/16"	Marad/RO-RO
Cape Victory	DI	US	1984	22,215	27' 09 1/3"	—	631' 11"	86' 11"	Marad/RO-RO
Cape Vincent	DI	US	1984	22,215	27' 09 1/3"	--	631' 11"	86' 11"	Marad/RO-RO
Chelsea		US	1975	39,235	34' 09 3/4"	123.2	688' 06"	90' 01 5/8"	MTBE
Chilbar		US	1981	39,363	35' 10"	126.4	664' 10 1/2"	102' 00"	Multi Products
Columbia Bay/S. Carolina Bay	DI	US	1981	23,000	31' 07 1/2"	85.6	471' 00"	84' 00"	Chemicals
Delaware Trader *	DI	US	1982	50,057	39' 07 1/8"	142.8	658' 06"	105' 09"	Products
Fredericksburg		US	1980	39,374	35' 11 7/8"	121.5	651' 08"	102' 00"	Multi Products
Keystone Texas *		US	1981	39,990	35' 03 3/4"	131.6	658' 06"	100' 00"	Lube Oils/Chemicals/Multi Products
Michigan/Great Lakes **	DI	US	1982	10,150	23' 08"	47.6	414' 00"	60' 00"	Multi Products
Mission Buenaventura		US	1968	38,238	36' 07 5/8"	116.9	660' 02"	90' 00"	Marad/Tanker
Mission Capistrano	DI	US	1971	37,276	36' 02 5/8"	115.0	672' 04"	89' 00"	Marad/Tanker
Tallahassee Bay/Florida Bay	DI	US	1981	23,000	34' 05"	85.6	471' 00"	84' 00"	Multi Products
LCPL Roy M. Wheat	GT	US	1987	50,570	35' 00"	—	863' 11"	98' 05"	MSC/RO-RO

Alaska Tanker Company Vessels

Denali *	US	1978	188,099	59' 03"	244.9	952' 08"	166' 00"	Crude Oil
Kenai **	US	1979	123,114	55' 00 1/8"	244.4	869' 00"	136' 01 1/2"	Crude Oil
Prince William Sound **	US	1975	123,936	54' 11 7/8"	244.9	869' 00"	136' 00"	Crude Oil
Tonsina **	US	1978	122,805	55' 00 1/8"	245.5	869' 00"	136' 01 1/2"	Crude Oil

* DOUBLE BOTTOM

GT GAS TURBINE

** DOUBLE HULL

DI DIESEL

As of May, 2004

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Great Lakes Fleet Vessels

	<u>Flag</u>	<u>Built</u>	<u>DWT</u>	<u>Draft</u>	<u>TPI</u>	<u>Length</u>	<u>Beam</u>	<u>Trade</u>
Arthur W. Anderson	US	1952	25,300	26'333"	--	767'	70'	Various Bulk
Roger Blough	DI US	1972	43,900	27'917"	--	858'	105'	Taconite
Cason J. Callaway	US	1952	25,300	26'333"	--	767'	70'	Various Bulk
Philip R. Clarke	US	1952	25,300	26'333"	--	767'	70'	Various Bulk
Edwin H. Gott	DI US	1979	73,700	32'063"	--	1004'	105'	Taconite
John G. Munson	US	1952	25,550	26'706"	--	768'	72'	Various Bulk
Presque Isle	DI US	1973	57,500	29'948"	--	1000'	104'7"	Taconite/stone
Edgar B. Speer	DI US	1980	73,700	32'063"	--	1004'	105'	Taconite

Commences May, 2004

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